

Message Text

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14-11

ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-10 FEA-01 PA-02 PRS-01 /117 W

----- 097025

R 271806Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1077

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 10472

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 26)

REF.: BONN 10372 AND 9099

1. HERSTATT: ACCORDING TO AN ANNOUNCEMENT OF THE HER-
STATT LIQUIDATOR, BANKS AND LOCAL AUTHORITIES WHICH
LOST MONEY IN THE HERSTATT COLLAPSE WILL RECEIVE IN
EARLY JULY THEIR FIRST PAYMENT OF HALF "OR PROBABLY
MORE" OF THEIR LIQUIDATION QUOTA. FOREIGN BANKS AND
LOCAL AUTHORITIES ARE SCHEDULED TO RECEIVE 55 PERCENT
OF THEIR LOSSES AND DOMESTIC BANKS 45 PERCENT.

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ACCORDING TO THE LIQUIDATOR SUCH PAYMENTS WERE MADE

POSSIBLE BY THE CONCLUSION OF THE LEGAL PROBLEMS ASSOCIATED WITH HERSTATT'S PROPERTY IN THE U.S. PAYMENTS OF THE LIQUIDATION QUOTA OF 65 PERCENT FOR PRIVATE INDIVIDUALS AND FIRMS, EXCEPT FOR THOSE CASES WITH UNRESOLVED LEGAL PROBLEMS, WERE COMPLETED IN LATE JANUARY 1975.

2. REDUCTION IN INTEREST RATES FOR EXPORT CREDITS: EFFECTIVE JULY 1 THE AUSFUHRKREDITGESELLSCHAFT (AKA; EXPORT CREDIT CORPORATION) WILL REDUCE THE INTEREST RATE FOR EXPORT CREDITS OF ITS A FUND FROM 8 1/2 PERCENT TO 8 1/4 PERCENT. (CREDITS FROM THE A FUND ARE PROVIDED BY THE AKA MEMBER BANKS TO FINANCE GERMAN SUPPLIER CREDITS.) AT THE SAME TIME THE INTEREST RATE FOR EXPORT CREDITS OF THE C FUND WAS REDUCED BY 1/4 PERCENT TO 8 1/4 PERCENT. (C FUND CREDITS ARE PROVIDED BY AKA MEMBER BANKS FOR THE GRANTING OF BUYER CREDITS.) THESE REDUCTIONS BROUGHT DOWN INTEREST RATES FOR A AND C FUNDS CREDITS FROM RECORD LEVELS OF 11 PERCENT AND 10.5 PERCENT, RESPECTIVELY, PREVAILING IN EARLY OCTOBER 1974 BEFORE THE BUNDESBANK EASED ITS MONETARY POLICY. INTEREST RATES FOR CREDITS FROM THE B FUND (A REDISCOUNT LINE FROM THE BUNDESBANK) DECLINED IN THE SAME PERIOD FROM 8.5 PERCENT TO 6 PERCENT.

3. CURRENT ACCOUNT BALANCE IN MAY: ACCORDING TO FIRST PRELIMINARY DATA FOR MAY 1975, GERMANY'S CURRENT ACCOUNT BALANCE WAS IN SURPLUS BY DM 1.1 BILLION AS COMPARED TO A SURPLUS OF DM 2.8 BILLION IN MAY 1974. THE DECLINE FROM MAY 1974 TO MAY 1975 WAS PRINCIPALLY DUE TO A DECLINE IN THE TRADE SURPLUS (EXCLUDING SUPPLEMENTARY TRADE ITEMS) FROM DM 4.9 BILLION IN MAY 1974 TO DM 3.3 BILLION IN MAY 1975 (SEE BONN 10372). IN THE FIRST FIVE MONTHS OF 1975 THE CURRENT ACCOUNT SURPLUS WAS DM 7.2 BILLION AS COMPARED WITH DM 12.5 BILLION IN THE FIRST FIVE MONTHS OF 1974. THE TRADE SURPLUS DURING THE FIRST FIVE MONTHS OF 1975 WAS DM 16.6 BILLION COMPARED WITH DM 22.8 BILLION DURING THE SAME PERIOD IN 1974.

4. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK
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SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

JUNE 20	DM 2.3373	-0.9	-1.4
23	2.3430	-1.1	-1.4
24	2.3468	-1.0	-1.6
25	2.3376	-1.1	-1.7
26	2.3420	-1.6	-2.0

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK STRENGTHENED

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SOMEWHAT. AT THE END OF THE REPORTING WEEK ALL FLOAT CURRENCIES WERE BELOW THEIR DEUTSCHEMARK INTERVENTION RATES BUT BELGIAN FRANCS AND SWEDISH CROWNS REMAINED NEAR THEIR INTERVENTION RATES.

5. MONEY MARKET: THE GERMAN CALL MONEY MARKET TIGHTENED FURTHER IN REACTION TO THE MAJOR MID-JUNE TAX DATE WITH CALL MONEY RATES AGAIN REACHING THE 5 1/2 PERCENT BUNDESBANK LOMBARD RATE. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

JUNE 20	4.9-5.1	4.7-5.0	4.7-5.0
23	5.0-5.3	4.7-5.0	4.7-5.0
24	5.5-5.7	4.7-5.0	4.7-5.0
25	5.5-5.7	4.7-5.0	4.7-5.0
26	5.5-5.8	4.7-5.0	4.7-5.0

6. LARGE CASH DEFICIT OF FEDERAL GOVERNMENT: IN THE FIRST FIVE MONTHS OF 1975 THE DEFICIT OF THE FEDERAL GOVERNMENT REACHED DM 19.5 BILLION WHICH IS ABOUT DM 12.5 BILLION HIGHER THAN THE DEFICIT IN THE FIRST FIVE MONTHS OF 1974. FEDERAL EXPENDITURES DURING THIS PERIOD WERE 22.5 PERCENT HIGHER THAN IN 1974 WHILE FEDERAL REVENUES (EXCLUDING BORROWINGS) DECLINED BY MORE THAN 2 PERCENT.

7. DURING THE REPORTING WEEK FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

JUNE 20	8.57	8.65	8.25
23	8.58	8.65	8.25
24	8.62	8.67	8.24
25	8.61	8.67	8.25
26	8.58	8.70	8.25

ON JUNE 26 THE FEDERAL GOVERNMENT OFFERED A DM 660 MILLION LOAN (COUPON 8 PERCENT, ISSUE PRICE 98.5, UNCLASSIFIED

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MATURITY 8 YEARS NON-CALLABLE, YIELD TO MATURITY 8.22 PERCENT). THE CONDITIONS WERE THE SAME AS THOSE OF THE LAST FEDERAL LOAN OFFERED ON JUNE 9 (SEE BONN 9099). THE LOAN IS THE FIFTH FEDERAL LOAN FLOATED IN 1975, THEREBY INCREASING THE TOTAL VOLUME OF SUCH LOANS TO DM 3.3 BILLION. (IN THE FIRST HALF OF 1974 ONLY TWO FEDERAL LOANS WERE OFFERED TOTALLING DM 1.1 BILLION).

CURRENTLY, A DM 50 MILLION PRIVATE PLACEMENT OF THE THYSSEN CARIBIAN FINANCE (COUPON 8 1/4 PERCENT, ISSUE PRICE 100, MATURITY 7 YEARS), AND A DM 250 MILLION LOAN OF THE IBRD (COUPON 8 1/4 PERCENT, ISSUE PRICE 100, 8 YEARS) ARE BEING OFFERED. REPORTEDLY THE HUNGARIAN NATIONAL BANK PLANS THE ISSUE OF A DM 100 MILLION LOAN (COUPON 8 1/4 PERCENT, MATURITY 6 YEARS) AND THE JAPANESE IRON AND STEEL FIRM SUMITOMO IS NEGOTIATING WITH THE DEUTSCHE BANK ON THE ISSUE OF A DM 100 MILLION LOAN (COUPON EXPECTED TO BE 8 1/2 PERCENT).

8. RECORD SALES OF DOMESTIC BONDS: IN THE FIRST FIVE MONTHS OF 1975 DOMESTIC BONDS OF DM 25.3 BILLION WERE SOLD (NET). THIS IS JUST UNDER THE TOTAL SOLD (NET) DURING EACH OF THE TWO PREVIOUS YEARS: L974: DM 26.7 BILLION AND 1973: DM 26.8 BILLION.
HILLENBRAND

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Message Attributes

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